BILL ANALYSIS

C.S.S.B. 963
By: Ellis
Insurance
Committee Report (Substituted)

BACKGROUND AND PURPOSE

Some Texas consumers pay higher premiums for long-term care insurance to compensate for the lower rates consumers pay in the states in which those companies' rate increases have been denied. Many long-term care insurance companies write business in multiple states, most of which regulate rates, and file for rate increases in the various states as needed. Occasionally, a carrier is denied a rate increase in one state and, in order to collect the amount of premium it believes necessary, the carrier will file for rate increases in other states that do not regulate rates to make up for the inadequate rates charged in the rate-regulated states.

C.S.S.B. 963 prohibits a long-term care premium rate from being used until the rate has been filed with the Texas Department of Insurance and approved by the commissioner of insurance.

RULEMAKING AUTHORITY

It is the committee's opinion that rulemaking authority is expressly granted to the commissioner of insurance in SECTION 1 of this bill.

ANALYSIS

C.S.S.B. 963 amends the Insurance Code to prohibit a long-term care premium rate for a long-term care benefits plan from being used until the rate has been filed with the Texas Department of Insurance and approved by the commissioner of insurance. The bill authorizes the commissioner to disapprove a long-term care premium rate that is not actuarially justified or does not comply with standards established under long-term care benefits plan provisions or adopted by rule by the commissioner. The bill requires an insurer who obtains the commissioner's approval of an increase of a long-term care premium rate to notify policyholders of the scheduled rate increase at least 45 days prior to the date that the policyholder is required to make a premium payment at the increased rate and to provide contingent nonforfeiture benefits consistent with nationally recognized models and rules adopted by the commissioner.

EFFECTIVE DATE

September 1, 2009.

COMPARISON OF ORIGINAL AND SUBSTITUTE

C.S.S.B. 963 differs from the original by increasing from 30 to 45 the minimum number of days prior to the due date of a policyholder's premium payment for long-term care that an insurer who obtains the commissioner's approval of an increase in that rate is required to notify the policyholder of the increase. The substitute adds a provision not in the original requiring such an insurer to provide contingent nonforfeiture benefits consistent with nationally recognized models and rules adopted by the commissioner.

C.S.S.B. 963 removes provisions in the original that require such an insurer to continue coverage at the increased rate, reduce policy benefits provided by the long-term care coverage in effect immediately before the scheduled increase without the requirement of additional underwriting so that the premium payments required are not increased, or convert the coverage to a paid-up status with a shortened benefit period. The substitute removes a provision in the original establishing that the offer to reduce policy benefits or convert coverage is required to be made subject to terms approved by the commissioner. The substitute removes provisions in the original requiring a policyholder to elect whether to accept the offer to continue coverage, reduce policy benefits, or convert coverage not later than the 30th day after the date of the insurer's notice and providing that a policyholder who fails to make such an election is considered to have elected to continue coverage at the increased rate.

C.S.S.B. 963 removes a savings provision in the original and differs from the original by making its provisions applicable to any rate increase implemented on or after September 1, 2009, whereas the original makes its provisions applicable to a long-term care insurance policy, contract, or evidence of coverage that is delivered, issued for delivery, or renewed on or after January 1, 2010.